

Tulipomania: A Garden Historian's Perspective

"History may or may not repeat itself; historians repeat each other": **Jonathan Denby** reveals that the tulip bubble was not what we have been led to believe



*"The flower lover has a garden without the town, where he spends his time from sun-rise to evening; you'd think him planted there, that he had taken root in the midst of his tulips; he begins with his Pilgrim; he rubs his hands, stares, stoops down, and he looks nearer at it, he never saw it look so fine before, he's in an ecstasy of joy... he goes no farther than the root of his tulip, which he won't part with for a thousand Crowns, tho' he'd give it to you for nothing, if tulips should lose their vogue, and carnations be the fashionable flower"*¹ LA BRUYÈRE

The events of Tulpenwoerde (tulip madness), which became known as Tulipomania, took place in the Dutch United Provinces in 1636 and 1637. It is the first of the famous economic "bubbles" and is often cited as a prime example of the irrationality of economic man. Who, in his right mind, would pay the price of a house for a tulip bulb? Such behaviour seems particularly irrational to the present day tulip grower who is only too aware of the fickleness of the bulb, which is liable to become blind, will rot in wet weather, is subject to viruses and is a tasty snack for squirrels and badgers.² If a tulip is allowed to produce seed the bulb will be weakened and the recommendation of the Royal Horticultural Society is for bulbs to be replaced every year.³

The Tulipomania story became notorious upon the publication in 1846 of *Extraordinary Popular Delusions and the*

Madness of Crowds by Charles Mackay, which has never been out of print. His source was a series of three propaganda leaflets published anonymously in the aftermath of the events, in particular one entitled *Dialogue between True-mouth and Greedy-goods*.⁴ As the title suggests, it is a satire, and as it is in the very nature of satire to exaggerate to make a point, it would be unwise to rely on it as being necessarily true. This did not hold back Mackay. He asserted that when tulip mania took hold the whole population was involved "even the lowest dregs". At the height of the mania, it was said, contracts changed hands up to ten times a day. When the bubble burst, the result was thousands of ruined estates and tens of thousands out of work. The story is so good it is repeated whenever bubbles are discussed. In 1999 Burton Malkiel in *A Random Walk Down Wall Street* wrote that when the crash came panic reigned and the collapse was followed by a prolonged depression in Holland. "No

one was spared", he wrote.⁵

The introduction of tulips to Holland in the latter part of the sixteenth century coincided with the fashion for the newly emergent middle and upper classes to keep gardens. Their gardens either adjoined town houses, or were in separate plots outside the city walls. They were formal parterres with the flowers displayed independently in what John Claudius Loudon was later to name the "Gardenesque" style.⁶ This was a form of conspicuous consumption, a way in which the newly rich could display their wealth. Tulips were an exotic item from the East, newly imported at a time when global trade was just beginning to have an impact, of which the Dutch were leaders. In time other plants, such as hyacinths would be all the rage, but in the 1630s it was tulips.

There were two distinct categories of buyers in the tulip market. First, there were the owners of gardens, who collected tulips and valued them for their aesthetic qualities. →

¹ J. Bruyere, *The Works of Mons. De la Bruyere*, N. Rowe edn. (2 vols., London, 1752), pp. 58-9.

² Robin Lane Fox, 'Battle of the Bulbs', *Financial Times* (29 September 2006). The Garden Fellow at New College, Oxford, he describes tulip bulbs as "caviar for badgers" in a series of highly entertaining articles for the *Financial Times*.

³ RHS, 'Tulips', www.rhs.org.uk/advice/profile?PID=684 [accessed 08 December 2014]

The same advice was given by Anna Pavord to the writer November 2013.

⁴ A. Goldgar, *Tulipomania* (Chicago, 2007), p. 6; see also 'Dialogue between Waermond and Gaergoed on the Rise and Decline of Flora' accessed 09 December 2014 at http://penelope.uchicago.edu/~grout/encyclopaedia_romana/aconite/tulipomania.html

⁵ B. Malkiel, *A Random Walk Down Wall Street* (New York, 1999), p. 39.

⁶ J.C. Loudon, 'Practical Hints on Landscape-Gardening', *The Gardener's Magazine*, Vol. 8 (1832), p. 701.

⁷ Goldgar, p. 321.



A Satire of the Folly of Tulip Mania, by Jan Brueghel the Younger, oil on panel

⁸ A.M. van der Veen, *The Dutch Tulip Mania* (Athens, GA., 2012), p. 5.

⁹ S. Schama, *The Embarrassment of Riches* (London, 1987), p. 357.

¹⁰ Van der Veen, p. 5.

¹¹ Pavord, A. *The Tulip* (London, 1999), p. 73.

¹² H. Smith, 'A Victorian Passion: The Role of Sander's Orchid Nursery in St Albans', *Hertfordshire Garden History: A Miscellany* (2 vols., Hatfield, Herts, 2007), i, p. 166

¹³ R. Haggard, *A Gardener's Year* (London, 1905), p. 30.

¹⁴ Ibid.

¹⁵ van der Veen, p. 13.

¹⁶ Goldgar, p. 149.

¹⁷ J.M. Montias, *Art at Auction in 17th Century Amsterdam* (Amsterdam, 2002), p. 11.

¹⁸ Goldgar, p. 247.

They were known as bloemists, or connoisseurs.⁷ Secondly there were the professional growers, the horticulturalists. Each group competed against the other for the prize tulip bulbs, with different motives. The bloemists wanted the prize bulbs because, as collectors, they wished to own the very best specimens. The horticulturalists wanted them as stock, from which they could propagate.

The 1630s was a period of

*“He who would climb
must expect to show his
naked buttocks”* Dutch Proverb



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unprecedented prosperity in what was already the richest country in the world. The Dutch East India Company earned huge profits and their shares increased greatly in value. There was a large influx of wealthy refugees from the Spanish-controlled southern provinces. All these factors helped to increase the wealth and spending power of the merchant classes, who used some of their surplus income on developing gardens and growing tulips. The demand for tulips

soared, and in response the number of tulips available for sale rose accordingly; by the mid-1630s there were more than 500 varieties.⁸ Prices fell for a while, but when demand picked up as more bloemists joined the market, prices started to rise.⁹

New, exciting varieties of bulbs were in very short supply, hence the high prices. In the 1620s the entire supply of the highly prized *Semper Augustus* bulb was in the hands of one owner, who saw the price rise

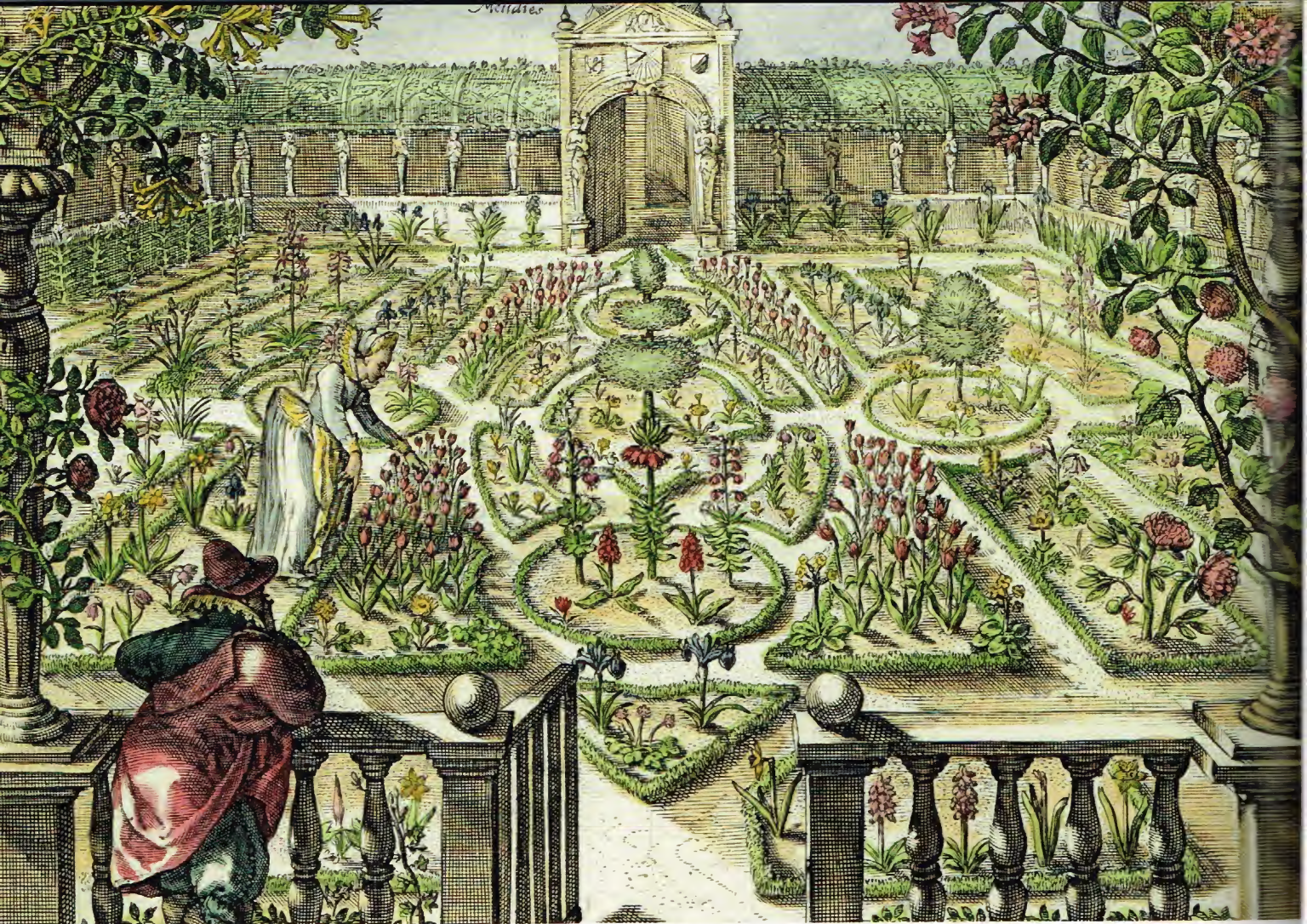
from 1,000 guilders per bulb in 1623 to 3,000 guilders in 1625.¹⁰ It made commercial sense for a grower to buy a single bulb for 3,000 guilders if he was willing to take the risk that the bulbs would retain their price. If that one bulb produced three offsets a year for three years he would in theory have nine bulbs, or offsets, to sell, which would represent a handsome return on his investment.

Rare plants have, and always will, command high prices, particularly if they are associated with high fashion. Some perspective is given to the Dutch craze by the fact that France had already experienced its own tulip mania, where prices reached similarly unfeasible heights.¹¹

England did not experience a craze for tulips, but there are parallels with other fashionable plants in England, not least the orchid, for which there were weekly auctions in London in the Edwardian period. In 1904 an *Odontoglossum Crispum* was sold to H.T. Pitt for £1,500; at the same sale a similar plant was sold to Baron Schroder for £1,250, which the Baron nurtured and divided, selling off-shoots to the value of £3,000.¹² What was an unconscionable extravagance to one was a good commercial opportunity to another. The author Rider Haggard, well known in his later years as an orchid grower and exhibitor, claimed never to have spent more than two pounds on an orchid, but understood that a “wealthy person might wish to possess what his neighbour has not got”.¹³ He tells of a Mr. Tracy, who was offered and refused seventeen hundred guineas for an *Odontoglossum Crispum* “Think of it! He refused the value of a good sized farm for that one frail and perishable plant!”¹⁴

The phenomenon later described as Tulipomania arose in the autumn and winter of 1636-37 when, according to the best evidence, very small offsets increased in price between four and ten times in the last three months of 1636 and large bulbs increased in price five fold.¹⁵ But this was not, as Mackay claimed, a phenomenon which embraced all of society. Only a small fragment, mainly well-to-do merchants, were affected. They were a closely knit social group, many of them relatives, and many sharing the same religion, the Mennonite sect.¹⁶ A large proportion of the bloemists were also engaged in the elite world of art.¹⁷

Nor did the “bubble” have any of the after effects which Mackay described. There were no discernable bankruptcies amongst the participants and little or no effect on the wider economy.¹⁸ Remarkably, also, considering the scope for fraud, there seems to →



Spring Garden, from 'Hortus Floridus', Crispin I de Passe, published 1614-15

have been little or no criminal activity, "there were no celebrated trials, no verdicts and no records of any convictions".¹⁹

Nor did Tulipomania follow the normal characteristics of a bubble, where rising prices are followed by a euphoric phase which leads people to borrow heavily to invest in the asset; and when the asset price falls there is panic followed by a rush for liquidity and multiple business failures and bankruptcies.²⁰ Here, there is no evidence of any heavy borrowing; most of the "bubble" purchases were made on the futures market.²¹ When the crash came these contracts, which were regarded as gambling debts, were unenforceable through the courts, and most disputes were settled by the payment of a

nominal sum ranging from 3.5 per cent to 10 per cent.²² In any event, it appears that prices soon regained their buoyancy. Peter Mundy noted in 1640 that "incredible prices" were being paid for "tulip roots".²³

Tulipomania can also be differentiated from other bubbles in that there seems to have been very little sequential trading.²⁴ Bubbles are inflated by investors entering the market in the hope of capital gains, leading to what Keynes referred to as a game of "musical chairs" with one unfortunate punter left holding the asset when the music stops.²⁵ This did not happen here.

When the exaggeration and hyperbole of Mackay's account is set aside we are left with a very different kind of

bubble, one like no other. In essence the bubble consisted of a severe hike in prices over a few months, affecting a small select group, and very little else.

If anything, the bubble was a side-show, because what really attracted the interest, ridicule and scorn of onlookers was the behavior of the bloemists and plant enthusiasts like them, who were willing to spend fortunes on a perishable plant. Can it be said that the desire to be a leader of fashion or to impress one's neighbours is irrational? Objects which may seem trivial to one person are valuable to another if only for the social prestige they bring. And as Baron Schroder showed, you *can* have your social cachet and eat your profit as well. The reality seems to have been that both the market and the participants were acting rationally in assigning a high value to these humble bulbs. After all, in the famous words of Marx, the value represented by a commodity is "purely social".²⁶ ●

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¹⁹ M. Dash, *Tulipomania* (London, 2000), p. 255.

²⁰ M. Gisler & D. Somette, 'Bubbles Everywhere in Human Affairs', *Swiss Finance Institute Research Paper Series* 10-16 (2010), p. 6.

²¹ W.N. Goetzmann & K.G. Rouwenhorst, et al., *The Origins of Value* (New York & Oxford, 2005), p. 204.

²² *Ibid.*

²³ *Ibid.*, p. 244.

²⁴ J. Tirole, 'On the Possibility of Speculation under Rational Expectations', *Econometrica*, 50.5 (1982), p. 1163. Tirole cites Harrison and Kreps who follow Kaldor and Keynes saying that "investors exhibit speculative behavior if the right to resell [an] asset makes them willing to pay more for it than they would pay if obliged to hold it forever".

²⁵ J.M. Keynes, *The General Theory of Employment, Interest and Money* (New York, 1936), p. 156.

²⁶ K. Marx, *Capital* (2 vols., New York, 1977), i, p. 39; Robinson, 'Green Seraglios: Tulips, Turbans, and the Global Market', *Journal for Early Modern Cultural Studies*, 9.1 (2009), p. 94.